

INFORMATION REPORT

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1. In May 1950 the economic situation in Shanghai began to improve because the Nationalist blockade ended and the government placed large orders with factories for such items as rubber goods, enamel ware, and construction materials. By July the average daily turnover of Shanghai's leading stores, such as the Sun, Sun Sun, Lai Wah, and China Products, was JMP 359,697,000 as compared with JMP 191,820,000 in April. In July daily rice shipments to Shanghai averaged 5,600 piculs, an increase of over 200 percent above April. In June cotton yarn and cloth shipments from Shanghai totalled 13,300 bales of yarn and 140,200 bolts of cloth, approximately four times the May shipments. At the end of June the first joint operation banking group, consisting of the Sin Hua, Ningpo Commercial, China Industrial, and China Commercial banks, in Shanghai held overdue loans amounting to JMP 27,800,000,000 as compared with JMP 36,100,000,000 in May.
2. The improvement in Shanghai economy is also illustrated by the redirection of commercial funds to industrial uses. In early September there were 27 such cases. For example, the Jen Hwa Development Corporation, an importer of dyestuffs and other chemicals, invested all its available capital — JMP 1,400,000,000 — in a new industrial chemical works bearing its own name. Some cloth firms transferred large amounts of commercial funds to knitting factories. This tendency is receiving government approval.
3. The number of factories in operation in Shanghai by type of industry as of 1 July 1950 was as follows:

cotton mills and weaving works
woolen mills
paper mills
underwear factories
soap and candle factories
printing ink factories
shirtmakers
iron foundries
textile machinery and tools

248
45
27
135
37
47
73
31
49

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CLASSIFICATION CONFIDENTIAL

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rubber factories	15
needle factories	33
bicycle and bicycle accessory factories	155
enamel ware factories	13
paint factories	34

4. The following monthly record on the opening and closing of business firms for the period January to September illustrates the business trend in Shanghai during this period:

a. Industrial Establishments:

Month	New Firms Opened	Old Firms Reopened	Firms Closed
January	70	2	159
February	28	3	161
March	22	1	243
April	14	5	389
May	21	3	502
June	37	29	158
July	105	87	50
August	373	93	62
September	196	60	36
(first half)			

b. Commercial Establishments:

January	1,075	3	363
February	255	4	349
March	203	3	796
April	57	11	1,567
May	72	22	2,947
June	196	142	780
July	405	142	223
August	786	115	235
September	418	57	125
(first half)			

5. Bulk purchasing of products from factories has been an effective way of helping many private enterprises. The state-operated China General Goods Company was established for this purpose and operates according to the following principles:
- Industries with which the company concludes bulk purchase agreements must serve the people and be capable of further development.
 - Industries in the greatest need are to receive priority over others.
 - Commodities purchased must be marketable either at present or in the future.
 - Prices at which commodities are purchased must conform in general to prevailing market quotations, although a small excess is allowed.
6. From April to July 1950 the China General Goods Company spent JRP 856,365,340,000 for bulk purchases, over half for products of privately-operated factories. The East China branch of the China General Goods Company purchased products from 502 or 40 percent, of Shanghai's privately-operated light industries in May.

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In June the company purchased products from 618 of Shanghai's privately-operated factories. The value of the company's bulk purchases of various products of Shanghai private factories from March through July was as follows:

March	JMP	28,500,000,000
April	JMP	58,600,000,000
May	JMP	104,700,000,000
June	JMP	96,400,000,000
July	JMP	231,900,000,000

7. As of May 1950, of 37 cotton textile mills in operation in Shanghai, 90 percent had signed processing contracts with the China General Goods Company, and were allocated raw cotton for processing. In this way 77.23 percent of the spindles in Shanghai were put into operation. The total output of cotton yarn from cotton textile mills from January to June 1950 was 322,046 pieces. By month and type of ownership, production was as follows:

Month	State-operated Mills	Privately Operated Mills	Foreign-operated Mills
January	31,562	30,509	1,920
February	11,869	11,173	1,164
March	24,902	21,457	1,571
April	34,048	25,040	1,365
May	34,120	27,892	1,194
June	33,418	27,717	1,125

8. Twenty-three private silk mills including Mayer Silk Mills, Dong Lee Silk Mills, Kwong Hing Knitting Manufacturing Company, and Yu Hing Silk Mills*** have signed contracts with the state-operated China Silk Corporation for the production of 7,710 bolts of silk piece goods during the winter of 1950-1951. Larger contracts have also been signed with Dah Cheng, Dah May Foong, Dong Leh, Ching Foong and ten other silk mills.
9. The East China Department of Industry signed a contract with the Ministry of Heavy Industries in Peiping for the manufacture of various kinds of machinery at a total value of 18,000,000 parity units,***and another contract for 10,000 spindles and two sets of paper-making machinery at a total value of 4,000,000 parity units.
10. The East China Department of Industry has distributed 70 percent of the machinery manufacture contracts to privately-operated factories. The value of all contracts was 16,600,000 parity units. The privately-operated Chung Hwa Iron Works received an order for three sets of paper making machinery, which will keep its production schedule full for a period of eight months. The Sin Chung Engineering Company, also privately-operated, received orders for pumps which will keep its production schedule full for six months.
11. The progress of the machinery industry in Shanghai during 1950 is illustrated by a 68 percent increase in business turnover for the period June through August over that of the period March through May. From June through August total business of 1,039 machinery works was JMP 142,200,000,000, as compared with JMP 86,300,000,000 for 1,155 machinery works from March through May.
12. In addition to aiding private enterprises, the government is also directing the remodeling of Shanghai's economy. Small private mills are encouraged to combine with other mills to form larger enterprises and thus increase production.

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The production policy of privately-operated factories is to be changed and the management "democratized" in order to coordinate production with the state economic planning.

13. To inaugurate planned production, a series of special national conferences of representatives of the cigarette, rubber, match, oil, food processing, printing and dyeing and other industries were held in Peiping during 1950. At the conferences it was decided to gear production to sales, and production plans were worked out for the last six months of 1950 and for the entire year 1951. Production schedules were distributed to various areas for redistribution to local factories according to their productive capacity. Allotments of production quotas were to be decided in a democratic way without prejudice.
14. In line with the government policy of encouraging small enterprises to combine into large enterprises in order to increase production and the scope of operations, a number of Shanghai enterprises were amalgamating during 1950. Among these were:
 - a. Pao Foong Cotton Mill, Shanghai, and Ching Foong Cotton Mill, Wuxi.
 - b. Chang Sin Cotton Mill, Shanghai, and Lee Sing Cotton Mill, Wuxi.
 - c. An Dah Cotton Mill, Shanghai, and the Dah Chong Weaving and Dyeing Mill, Wuching.
15. Many privately-operated heavy industries organized combines to handle production, sales and other business transactions jointly, the primary object being to accept orders for manufactured products jointly and to complete the production schedule on time. By September the following eight manufacturers combines had been formed among Shanghai's industries:
 - a. Shanghai First Small Machine Manufacturers' Combine
 - b. Shanghai Second Small Machine Manufacturers' Combine
 - c. Shanghai Third Small Machine Manufacturers' Combine
 - d. Shanghai First Electric Machine Manufacturers' Combine
 - e. Shanghai First Bicycle Manufacturers' Combine
 - f. Shanghai First Boiler and Machine Manufacturers' Combine
 - g. Shanghai First Joint Shipbuilding Company
 - h. Shanghai First Electric Wire Joint Manufacturing Company.

The last company is a combination of the China, Mei Shing, Teh Foo, the Far Eastern Electric Appliance Manufacturing Companies and the Lee Hua, Shanghai, Hua Kung, and Hua Ming Electric Wire manufacturing companies.
16. Between July and September private banks in Shanghai formed four loan syndicates. The majority of private banks have joined one of these. Since the formation of these syndicates, deposits and loans have increased and they have been operating at a profit.
17. Four private shipping companies, all heavily in debt, merged into one "Combined Yangtze Shipping Company, Ltd." in an effort to improve their business and eliminate competition among themselves.
18. The Cotton Joint Purchase Committee of the state and privately-operated cotton textile mills in East China was organized to handle joint purchasing for the mills.
19. The local guild of the vegetable oil pressing industry, under the guidance of the Departments of Industry and Trade of East China and the Bureau of Industry

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and Commerce in Shanghai, has organized a joint purchasing board for its member factories, both state and privately-operated, for the joint purchase of cotton seeds. In keeping with the policy of the government, the joint board will handle the purchases according to the principle of gearing production to sales.

20. Another economic improvement sponsored by the government is the "democratization" of management and the wide practice of thrift in factories. For example, the Ying Foong Cotton Mill, which was in serious financial difficulties early in 1950, was doing a good business in mid-1950 after removing five high officials, dismissing ten absentee "advisers", eliminating surplus labor, and adjusting wages under a labor-management agreement to reduce wages for all.

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* [REDACTED] Comment. [REDACTED] for a related report on the Shanghai economic situation.

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** [REDACTED] Comment. This is not listed in the 1947 Shanghai telephone directory. Possibly it is the Jen Iwa Dyeing and Weaving Company.

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*** [REDACTED] Comment. This firm not listed in the 1947 Shanghai telephone directory. May possibly be the Yu Ming Dyeing and Weaving Company.

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**** [REDACTED] Comment. The financial value or basis of parity units was not stated.

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